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Japan's Beef Industry
EC Farm Price Crisis

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This week's cover:

Australian wheat farmers, harvesting with combines, are being encouraged to produce record crops this year, to make up for last season's lower production and to take advantage of high world wheat prices and demand. Whether Government incentives will succeed in stimulating wheat output is the subject of an article beginning on page 4.

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Top to bottom: Black Angus cattle on pasture in Japan; feeding area of a cow-calf operation; and enclosed feedlot in Hokkaido Prefecture for Holstein steers and culled dairy cows, with a capacity of approximately 150 head.

Buoyant Japanese Demand For Beef Thwarts Efforts To Expand Beef Herd

By ALAN K. HEMPHILL
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STRONG DEMAND and high prices have sparked a beef expansion program in Japan which Government and industry officials hope will pay off in a larger and more modern beef industry. For the time being, however, planning for the future is complicated by large profits to be made in the present, prompting Japanese farmers to slaughter their cattle as soon as possible and thus making Japan increasingly dependent on dairy-type steers for beef supplies.

This strong effort to meet current needs has resulted in the neglect of two important long-term goals: An expansion in total herd numbers and increased use of beef-type animals. It has, on the other hand, prompted adoption of more up-to-date technology in the beef program, including increased feedlot operations, and opened up to some extent—5,000 head a year—imports of feeder cattle. These latter developments promise increased sales opportunities for U.S. feedgrains, soybeans, and other mixed feed ingredients as well as feeder cattle.

Looking at the cattle industry in Japan is like looking in a prism—one glance shows the many possibilities. Japan has adequate land for raising a large number of cattle. There is a sizable herd base—1.8 million female dairy cattle and 900,000 female beef cattle (1.7 million total beef cattle). And there is expertise, especially in the dairy field where there are many well-established, modern, successful farmers.

Also, the cattle industry is being aided by various Japanese Government and private programs. The latter include technical assistance programs by U.S. Department of Agriculture cooperators—U.S. Feed Grains Council, National Renderers Association, American Soybean Association, and various American cattle associations.

Among developments guiding beef production is the emphasis by the Japanese Government, farmer cooperatives, and other groups on the retention of dairy calves for beef instead of the traditional practices of slaughtering them at birth for use in processed meats or raising them for veal. Others are programs to reduce calf loss through improved facilities and sanitation and a small but growing interest in crossbreeding the dairy and beef breeds. The crossbreeding is seen not only as a way to provide better-quality beef but also to give the extremely valuable fringe benefit of the F–1 health and hybrid vigor.

One result of these programs is that in the past year the number of dairy-type cattle being raised for beef has increased by more than 100,000 head, from 186,300 to 294,900. While the number of farmers raising dairy animals for beef is not tabulated, a traveler in Japan can see many new feedlots, established for feeding dairy animals.

Such feedlots are often quite different than those in the United States. They may include farms which have a few dairy animals for beef to supplement income from milk herds; ones containing 80 to 100 head, a size found to be economical relative to labor and pollution; and a few larger ones of up to two or three thousand head, primarily in the less populated northern areas. Both enclosed and open-air feedlots are represented in the various sizes.

Feedlots for beef-breed cattle parallel the above, with some of the various sizes specializing in fattening beef heifers to produce the renowned and expensive "Kobe" beef.

The Japanese Government and certain prefectural governments have plans to aid expansion of beef-breed cattle numbers. These include importing breeding animals and expanding area planted to grasses and forages. Additionally, a revision of the land laws now allows farmers to expand their landholdings, thus permitting a larger number of self-sufficient units.

JAPAN'S NORTHERNMOST island, Hokkaido, is the scene of some of the more far-reaching endeavors to expand cattle numbers for beef purposes. In just 8 years, the islanders hope to increase their cattle for beef to 300,000 head (220,000 dairy and beef-dairy cross-breeds and 80,000 beef-breed cattle) from the approximately 55,000 head (some 30,000 dairy animals and 25,000 beef breed) on February 1, 1972.

The island has already succeeded in doubling the number of dairy cattle for beef—from 13,110 head to 29,660—between 1971 and 1972. However, at the same time it achieved only

a slight increase in the number of beef-breed cattle. With a heavy concentration of the Japanese dairy herd, almost one-third on Hokkaido, the projected increases in dairy cattle used for beef and in beef-dairy crossbreeds may prove more attainable than the gain in numbers of beef-breed cattle.

There are a number of reasons for the great interest in raising cattle for beef, but most of them center around the profits to be made. Currently, the price of beef in Japan is acknowledged to bring excellent profits to all involved. But this adds a new dimension to the prism.

With large profits to be had from beef production, farmers are slaughtering cattle at a more rapid rate than normal. Thus, while the number of dairy calves being placed on feed has risen drastically, the total number of cattle in Japan is decreasing. The female dairy herd, for instance, declined 1 percent between 1971 and 1972 to 1,819,000 head, and the number of beef-breed females dropped 11 percent to 974,400 head. Of the latter, 361,000 head were 2 years of age or younger.

Some sources feel that as long as current prices and policies continue at least the same number of female beef cattle will be slaughtered each year, and the net reduction that occurred between 1970 and 1971—approximately 115,000 head—will continue for the next few years.

But short supply in the face of strong demand also leads to rising prices, and this is being seen. The price of feeder calves has been and is increasing. However, the cost of beef has also risen, so that the gains from this, plus increased efficiency of production, result in continued short-term profitability of the slaughter of all types of cattle.

While the loss of breeding-age beef cattle is damaging to future growth in cattle numbers, the industry itself may be less damaged. This is because farmers with only one or two head are apparently the ones selling their cattle and going out of the business. Between the February 1 censuses of 1971 and 1972, the number of farms recorded as having one or two beef cattle declined by approximately 130,000. During that same period, the number of farms with 20 head and over increased by more than 3,000. During this period, the approximately 1 percent of the farms with 20 and more beef cattle increased its share of the total beef cattle herd from 11.7 percent to 19 percent, while the 76 percent of farms with one or two head saw its share decline from 47.6 percent to 38.7 percent.

Through increased domestic slaughter and imports, the availability of beef in Japan is expanding. However, imports, which currently represent approximately 15 percent of total beef availability, are tightly controlled. Even with import duties and other costs, these are generally less expensive than domestically produced beef, but the tremendous demand nullifies the effect such imports might have on beef prices. While the quotas are being increased yearly, a large gain would be necessary to reduce beef prices enough to relieve pressure on female beef-cattle numbers.

In addition to meat imports, Japan has also begun importing some feeder calves. This is a hopeful beginning, but the duty-free number is set at only 5,000, while the number of female beef cattle fell by 115,000 head in 1971.

A recently released Government study on agricultural production projects total Japanese cattle numbers in 1982 at 6.4 million head.

More pessimistic sources note that currently about 50 percent of Japan's domestic meat production is from dairy-breed animals, and the percentage is increasing. Acknowledging that the number of dairy-breed cattle being fed may be increased still further, they see the cattle industry in Japan becoming a dairy herd with its beef adjunct. Thus, they foresee a limit imposed on the industry by requirements for dairy products. And this limit may be close to the current level since consumption of dairy products has been relatively stagnant for the past 2 years and the dairy herd has in fact decreased.

The many-faceted prism shows Japan's desire for beef; a tremendous purchasing power bolstering its sales; the necessary technical knowledge and/or potential for rapid acquisition of the knowledge; techniques and equipment for a scale of cattle raising suited to Japan; and extensive Government and private interest in expanding output.

Thus, the desirability of developing a beef cattle industry in Japan is widely recognized. But the decline in cattle numbers must soon be stopped for these desires to be fulfilled.

Australian Government Urges Farmers To Plant More Wheat

The Australian Government has given farmers there the go-ahead for a record wheat crop in 1973–74, with the aim of replenishing stocks depleted by last season's low production and at the same time capitalizing on strong world prices for wheat exports.

Coming in the form of record quotas and an increase in the first advance payment, the incentive to producers normally would bring enthusiastic response. Now, however, farmers are wary about going allout for wheat in view of the good returns to be had for most alternative products and memories of bad experiences with wheat in the recent past.

Wheat production in Australia has in recent years been limited by an annual quota on deliveries of the crop to the Wheat Board. A guaranteed initial payment is made on all deliveries of wheat within the quota.

This overall quota is broken down into State quotas, which then are allocated to individual farmers on the basis of past production, area in which the land is located, and other factors, depending on the State.

Introduced in 1969–70 following a huge 1968–69 crop and reduced prices, the quota system this year virtually guarantees a market for as much wheat as Australian farmers can produce. At 534 million bushels (including a contingent amount of 20 million bushels to be divided among the States), this season's quota would easily allow output to exceed the record achieved in 1968–69, when 515.6 million bushels were delivered to the Board. At the same time, the Board has increased its

first advance payment by 10 Australian cents per bushel to A$120, f.o.r.

Farmer response to these incentives, however, may not be as great as desired, owing to a number of factors. One of these is the reluctance of share-farmers—who were not given quotas when the system went into effect—to go into wheat. Many were forced in 1969–70 to shift into feedgrains, oilseeds, or out of farming entirely and are thus fearful that they might be left out in the cold again should surpluses develop.

In addition, Australian farmers in general are reluctant to shift from other products because of the high prices they are already receiving and relatively static returns from wheat.

The latter have come partly because of low prices when long-term export contracts were negotiated (sales to Egypt, for instance, were made as low as A$1.20 per bushel, f.o.b.), but also because of rapid diversion into other crops and livestock, which attracted cash payment.

Moreover, wheat producers look back on their experience last season when, because of a small crop that had to go largely for local demand, they did not benefit from the jump in world wheat prices following the big Soviet grain purchases.

Because of this general reluctance, both the Federal and State Governments are giving much publicity to the wheat program.

In Australia's largest wheat-growing State, New South Wales, for instance, the State Department of Agriculture has taken unprecedented measures to increase wheat production and thus fill its 193.1-million-bushel share of the quota. In addition, the State has been trying to get a major part of the 20-million-bushel floating quota, which could bring its full quota to around 210 million bushels.

To encourage farmers to produce the needed amount, the State Government has given an across-the-board 33-percent increase in all existing farm quotas and invited new growers without previous quota history to apply for a share of the allocation. The move has been strongly supported by the United Farmers' and Woolgrowers' Association, which late last year had already pressed the New South Wales Government for a special issue of quotas to share-farmers, farmers' sons, and new growers.

This virtual lifting of New South Wales wheat quotas will give growers an opportunity to produce all they wish, presumably as much as in 1968–69, when 196.8 million bushels were delivered to the Wheat Board. However, not only are farmers less interested in wheat than they were in 1968–69 because of high prices for alternative products, but they also gain a considerable freight advantage from those alternatives.

For example, wheat growers in northwestern New South Wales had a freight deduction of 22 to 24 Australian cents per bushel taken from their first advance payment because the wheat has to be delivered long distances to terminals in Newcastle or Sydney. Sorghum and oilseeds, on the other hand, can be sold for cash with low shipping costs across the border into Queensland for shipment from Brisbane.

"Wheat producers look back on their experience last season when, because of a small crop that had to go largely for local demand, they did not benefit from the jump in world wheat prices following the big Soviet grain purchases."

Thus, it seems doubtful that the New South Wales goal will be achieved, even if wheat planting conditions and subsequent weather patterns are at optimum levels. Under such conditions, an area of about 8.5 million acres seems about the most that can be expected for a maximum crop of about 170 million bushels. Much of the crop will probably be grown in the southern and central districts, with production of hard and prime hard wheat in the northwest again accounting for a fairly small proportion of the total crop.

In Western Australia, there is greater interest in wheat planting, although many growers will continue to sow large areas of barley and oats since farm feed stocks are low and export prices attractive. Like New South Wales, Western Australia is attempting to obtain the larger share of the 20-million bushel floating quota, which seems to be creating a serious rift between the two States. Western Australia sees the New South Wales issue of new quotas as a threat to its share of the floating quota.

Western Australian growers will have to plant an estimated 8 million acres to achieve the 112.6-million bushels allocated them for 1973–74. Apparently, sufficient seed wheat is available in the State to supply these needs, and slightly more could be planted if seasonal conditions are favorable. However, under normal conditions, and assuming reasonably large oat and barley plantings, it seems unlikely that much more than 8 million acres will be planted, and 120 million bushels seems the most that could be produced under optimum conditions.

Virtually all production restraints have also been lifted in the State of Victoria, whose share of the 1973–74 quota is 91.5 million bushels (includes some wheat produced in southwestern New South Wales and marketed by way of the Victorian rail system). Assuming average yields, this would require a wheat area of about 4.25 million acres, compared with only about 2.8 million last year.

Aside from the "grow more wheat year" of 1930–31, when 4.6 million acres were planted, and 1968–69, when the area hit 4 million and receivals reached a record 90.7 million bushels, Victoria has seeded over 3.5 million acres to wheat on only two other occasions. Thus, although plantings will probably increase substantially in 1973, they will have difficulty reaching Government targets. Currently, it is believed that area might climb to about 3.75 million acres.

In Queensland, seasonal conditions for wheat are good, with adequate subsoil moisture in all districts following heavy summer rainfall from monsoon and cyclonic influences. Plantings are expected to approximate the quota allocation for a crop of about 40 million bushels, mostly hard or prime hard wheat suitable for the Japanese market.

In South Australia, plantings will depend heavily on weather conditions. However, it currently looks as if at least 3.5 million acres of wheat might be sown unless weather conditions turn unfavorable for wheat, which would prompt a shift to barley.

—Based on dispatches from
Office of the U.S. Agricultural Attaché, Canberra

Beef Use Ban Helps Uruguay To Boost Meat Exports

Despite a slight drop in Uruguay's total 1972 meat production, moderate boosts in beef and pork output and a sag in domestic per capita meat consumption enabled Uruguay to increase the volume and value of its meat and meat product exports last year. Soaring prices on the world market helped encourage this outward flow.

Total red meat production declined in 1971; however, a 7.5-percent boost in beef and veal output, and a 10.8-percent jump in pork production, partially offset larger percentage losses in lamb and mutton and horsemeat output to keep the overall production drop to just 3.5 percent. A Government ban on beef consumption between July 15 and November 15 helped make more beef available for export. As a result, beef exports as a percentage of beef production rose from 33 percent in 1971 to 41 percent in 1972.

The volume of Uruguay's total meat exports rose by 13 percent—from 105,814 metric tons in 1971 to 120,129 tons, while value soared by 50 percent to $102 million. All the volume increase resulted from the sharp expansion of beef exports. The jump in value of total meat exports reflected both higher prices and increased shipments.

Beef exports rose from 88,285 metric tons in 1971 to 117,832 tons in 1972. Exports of other meats, mostly lamb and mutton, fell from 17,529 metric tons to 2,297 tons.

In terms of value, the product mix of beef exports in 1972 changed somewhat. Frozen beef products accounted for 78 percent of total shipments in 1972 compared with 71 percent a year earlier. The proportion of chilled beef dropped from 15.6 percent in 1971 to 12.5 percent in 1972, while manufacturing-type beef declined from 9.6 percent of total meat exports to 6.5 percent. Uruguay did not export any canned beef in 1972.

The more important export markets for Uruguayan meat and products in 1972 were Spain, France, Italy, West Germany, and Portugal in descending order. Exports to these five countries accounted for 64 percent of the total shipments in 1972. Most of the lamb and mutton went to Greece and Jordan, while Holland purchased all the horsemeat.

Total livestock slaughter in 1972 fell by nearly 23 percent from 6.1 million head in 1971 to 4.7 million in 1972. A gain in the slaughter of cattle and hogs was offset by a drop in sheep slaughter.

Cattle slaughter rose by 5 percent from 1.19 million head to 1.25 million. Hog slaughter also jumped by 12 percent to 237,000 head in 1972, largely because of favorable prices and a shift from beef to pork consumption, particularly during the July–November period when domestic beef consumption was banned.

A significant improvement in domestic and world wool prices caused farmers to reduce the number of sheep delivered for slaughter from 4.7 million in 1971 to 3.2 million 1 year later—a drop of 32 percent.

Current indications are that cattle slaughter in 1973 will exceed that of 1972 provided Government policies continue to favor export expansion and world beef prices remain high. The hog slaughter forecast is for a continued climb if feedstuffs are available in sufficient quantity and consumers continue their shift from beef to pork. Sheep producers are expected to take advantage of strong wool prices and retain their flocks at high levels.

Per capita consumption of red meat fell from 201 pounds in 1971 to 165 pounds the following year. Pork consumption showed an increase, while beef and veal and lamb and mutton slid.

Beef and veal consumption dropped from 136 pounds per person to 114 pounds, while lamb fell from 52 pounds to 37. Pork consumption rose by 1 pound last year to 14 pounds per person. A 3-pound increase per person in poultry meat consumption helped make up some of the loss in red meat consumption, but even this boost brought per capita consumption of all meats to 179 pounds, 16 percent less than the 212 pounds consumed during the previous year.

—Based on a dispatch from
DALTON L. WILSON
U.S. Agricultural Attaché,
Buenos Aires

Swiss To Import More U.S. Leaf in 1973

Total Swiss leaf imports are expected to increase in the current year as are those of U.S. leaf. The increase is primarily intended to replenish stocks, because cigarette production is expected to level off owing to an anticipated drop in exports.

Swiss tobacco imports increased from 29,771 metric tons in 1971 to 30,775 in 1972—or 3.4 percent—to keep pace with the 3.5-percent jump in cigarette production and the 7.2-percent cigarillo increase.

Maryland leaf showed a 27-percent increase in 1972 as the quantity imported jumped from 3,167 metric tons to 4,352 metric tons. Virginia bright dropped 20 percent from 6,424 metric tons to 5,359 metric tons. The situation will probably be reversed in 1973 as the Maryland leaf quantity is expected to drop and Virginia bright to increase.

Total value of Swiss imports dropped from Sw Fr231 million to Sw Fr223 million because of devaluation of the U.S. dollar. The value of U.S. tobacco imports dropped by 9.6 percent, but the quantity remained constant at 14,192 metric tons. The U.S. market share dropped from 48 percent in 1971 to 46 percent in 1972.

Although cigarette exports to the United Kingdom, Denmark, and EFTA countries—Austria, Norway, Portugal, Sweden, and Switzerland—are expected to increase, the overall figure may fall as exports to Italy decrease.

The market share of U.S. blends in Switzerland slipped somewhat in 1972 owing to the reduced exports to Italy. The devalued U.S. dollar will make U.S. tobacco somewhat more attractive to the Swiss.

FOODEX '73 at Bristol, Birmingham, and Plymouth Attracts British Trade

U.S. wine (above) and rice (below) were among the foods exhibited at the March 12–13 showing of FOODEX '73 in Birmingham, the United Kingdom. Many of the food items shown were new to the U.K. trade.

Above, U.S. fresh produce starred at all FOODEX '73 exhibits. Right, a U.S. cheesecake display at Bristol.

A cooking demonstration (top right), held in conjunction with a seminar, was one of the features when FOODEX '73 opened in Plymouth, March 5–6. Above, a demonstration of turkey products being photographed for later presentation on BBC television.

Crisis Over EC Farm Prices Resolved for 1973-74

By JOHN F. HUDSON
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German rapeseed (top) will benefit from a 1-percent increase in EC support prices. The Dutch, efficient in dairy production (above), opposed higher milk and butter prices.

AGRICULTURE MINISTERS of the European Community (EC) agreed on April 30, 1973, on farm support prices for 1973–74 after weeks of futile debate. Compromise was reached in the EC Council only when it became apparent that failure to agree would present a chaotic situation for the EC, in which Community institutions might no longer be trusted to make basic farm policy decisions.

Reflecting the still-numerous disparities among agricultural interests in the various EC members, the compromise agreement had something for almost everybody but fell far short of each country's stated goals. The troublesome EC problems of butter surpluses and beef shortages were given some attention, with feedgrain price increases held to 1 percent. A proposed return to uniform prices, disrupted following the monetary changes, was not achieved.

The United Kingdom faces the task of adjusting to an even higher level of common EC prices, and all EC countries must now prepare for a close look at the Common Agricultural Policy this fall, to see whether new approaches can be found to lessen the likelihood of renewed political crises over farm prices.

The principal prices fixed by the Council are shown in the accompanying table. In addition to fixing prices for 1973–74, the Council agreed:

- Italy will phase out its privilege of reducing levies on feedgrains imported by sea. The amount of the levy reduction was 7.50 units of account ($9) per metric ton in 1972–73 and will become 6.00 u.a. in 1973–74, 4.50 u.a. in 1974–75, 3.00 u.a. in 1975–76, 1.50 u.a. in 1976–77, and zero thereafter.
- Italy will raise all CAP prices in Italy by an additional 1 percent.
- All EC countries may subsidize the sale of butter to any domestic consumer by up to 5.5 cents per pound. Half of the subsidies paid will be reimbursed from FEOGA, the common agricultural fund.
- Dairy farmers may receive premiums for converting their herds to beef production.
- By October, the EC Council will decide on assistance to hill farming.

To understand the crisis which has been smoothed over for the moment by these decisions, it is helpful to review proposals tabled by the EC Com-

mission and the position in which each Member State found itself.

The Commission's proposals were based on several considerations.

First, general economic factors—in particular, inflation—did not permit price increases on the order of an average 7 percent or more, as requested by the farm organizations. In the Commission's view, "the problem of low incomes in agriculture must be resolved principally by effective measures of structural policy and by specific measures for supporting incomes in the most underprivileged areas." A proposal for aid to farming in hill areas was intended as a major contribution in this respect.

The Commission also noted that "generally speaking incomes on farms specializing in large-scale crops are higher than those on farms specializing in livestock production and that incomes on farms concentrating on milk production are higher than those on farms specializing in beef and veal production. Consequently, there is justification for a greater increase in beef and veal prices than in prices of milk and milk products, and the increase in the latter should itself be greater than for crop products." In view of EC problems with butter surpluses and beef scarcity, the Commission also deemed it useful to propose subsidies for converting dairy herds to beef herds, a lower butter price, and subsidies for butter consumption.

Most important, the Commission felt this was the time to begin the restoration of the unified price system that has been disrupted by developments in the monetary field. While prices for the whole of the Community have been denominated in "units of account," they must be converted into national currencies at fixed exchange rates in order to be implemented in each Member State.

When Member State currencies were permitted to float, current market exchange rates began to deviate from the fixed rates used to calculate agricultural prices. Consequently, agricultural support prices became "too high" or "too low" in some Member States, and to prevent interference with the support system, it was necessary to establish offsetting taxes or subsidies on trade between Member States and with third countries.

At the same time the Commission's proposal was drawn up, German support prices were calculated to be 7.61 percent too high, Benelux prices 2.76 percent too high, and Italian prices more than 10 percent too low.

The Commission, therefore, proposed that Germany and the Benelux countries adjust their exchange rates in relation to the unit of account by 2.76 percent and Italy by 4 percent. This would then make it possible to eliminate taxes and subsidies on trade between France, Denmark, and the Benelux counries and reduce the level of these taxes and subsidies for Germany and Italy. (Ireland and the United Kingdom would not be immediately affected.)

However, the Commission's proposal also meant that a 2.76-percent price increase, such as the Commission proposed for grain, would be no net increase at all for Germany and the Benelux countries and would be a 6.76-percent increase for Italy. Thus, price unification would be partially restored by freezing prices where they were "too high," and granting an extra increase where they were "too low."

For Germany, this link between price increases and price unification was totally unacceptable and remained so throughout the debate. Agreement to such a link implied denying EC price increases to German farmers not only in 1973–74, but for 2 or 3 years thereafter. Germany would have liked price increases for grains higher than those proposed by the Commission, in order to meet the needs of German small farms. In the end, Germany settled for lower prices, although a 6.5-percent increase was obtained for rye.

For France, price unification is one

(Continued on page 16)

FARM SUPPORT PRICES IN THE EUROPEAN COMMUNITY

Item	1972–73	1973–74	Change	Effective date
	Dollars per metric ton [1]	*Dollars per metric ton* [1]	*Percent*	
Wheat:				
Durum, target	159.96	161.57	1.0	Aug. 1, 1973.
Non-Durum:				
Target	137.28	138.66	1.0	Do.
Intervention	126.37	127.63	1.0	Do.
Barley:				
Target	125.76	127.02	1.0	Do.
Intervention	115.45	116.61	1.0	Do.
Corn, target	122.75	123.98	1.0	Do.
Rapeseed:				
Target	251.52	254.06	1.0	July 1, 1973.
Intervention	244.29	246.70	1.0	Do.
Sugar (refined):				
Target	296.16	299.17	1.0	Do.
Intervention	281.56	284.34	1.0	Do.
Milk, target:				
Germany, Benelux	141.99	147.67	4.0	May 13, 1973.
Other EC	141.99	149.83	5.5	Do.
Butter, intervention:				
U.K.	917.55	1,061.11	15.6	Do.
Ireland	1,871.17	1,933.18	3.3	Do.
Denmark	2,033.06	2,068.89	1.8	Do.
Other EC	2,243.81	2,123.18	—5.4	Do.
Nonfat dry milk, intervention:				
Germany, Benelux	651.43	772.06	18.5	Do.
Other EC	651.43	796.19	22.2	Do.
Cattle, orientation:				
U.K., Ireland	728.88	844.45	15.9	Do.
Other EC	940.95	1,039.87	10.5	Do.
Calves, orientation:				
U.K., Ireland	902.95	1,017.56	12.7	Do.
Other EC	1,164.13	1,251.59	7.5	Do.
Fruits, vegetables	– –	– –	7.5	Various.
Tobacco	– –	– –	1.0	1973 crop.

[1] Dollar prices are converted from units of account at $1.20635=UA1.00. Dollar prices converted from prices in EC national currencies at current exchange rates may differ from these figures, since current exchange rates are not used in calculating national prices from units of account.

NOTE.—Target prices and orientation prices are wholesale price goals from which minimum import prices and intervention prices are derived. Intervention prices are floor prices at which the Government stands ready to buy the product offered. Prices cited are based on early press reports.

Examining grain research nurseries in Bekaa Valley, Lebanon.

Ford Foundation Specialists Seek Ways To Expand Mideast Food Crops

Above, horticultural section of experimental farm of the Lebanese University. Right, baling wheat straw in the Bekaa Valley.

EXPANDING FOOD production—a goal of many countries of the world—takes on special importance in the Mideast and North Africa, where vast areas of desert land have for centuries eluded agricultural development. The lack of adequate water for irrigation and low productivity of the land combined with the needs of a rapidly growing population, has drawn the assistance of the Ford Foundation.

The Foundation since 1968 has been involved in a project known as the Arid Lands Agricultural Development Program (ALAD), aimed at expanding output in the broad belt or arid and semiarid lands stretching from Iran to Morocco. The countries in this area are characterized by sufficiently similar climate, soils, and cultural practices to justify a regional approach to the problems of agricultural production. And with over 65 percent of the population here deriving a living from the land, economic and social development obviously depends on improvement in the performance of the agricultural sector and in the conditions of rural life.

Main goals of the program are to help the countries of the area increase farm production through adaptive research, improved production technology, training, and the development of production and research capacity in local institutions and agencies. Initial emphasis has been on the basic cereal crops (wheat, barley, corn, sorghum, and millets), forage crops and legumes, and sheep—the region's principal source of animal protein.

In addition to Foundation specialists working on the various projects, ALAD has access to the staff resources of the

Above, crossbred sheep that will help upgrade native flocks in the Mideast. Left, preparing field in the Bekaa Valley for irrigated Mexipak wheat.

international agricultural institutes—especially the International Maize and Wheat Improvement Center (CIMMYT) and the International Rice Research Institute (IRRI)—and the services of part-time consultants.

Operational base for the ALAD Program is the Bekaa Valley of Lebanon, which provides a natural laboratory with a variety of rainfall and soil conditions. Bekaa Valley is the site of the Lebanese Agricultural Research Institute, which has been expanded to accommodate additional research under the ALAD Program.

Scientists at the Institute have assembled a collection of plant materials from throughout the world—wheat, barley, corn, sorghum, and millet—and are screening and testing them under the region's various soil and climatic conditions. They have also expanded breeding work on cereals and directed increased attention to the distribution of selected materials in the region.

Among the specific results has been the introduction of dwarf wheat varieties in the region. ALAD imported 4 tons of such seed from Mexico in the 1967–68 season for distribution in Lebanon, Iraq, and Syria. These countries have since expanded plantings of the seed to 20 percent of their total wheat area.

Demonstration yields of over 7 tons per hectare have been achieved with these new varieties in Lebanon and Saudi Arabia, compared with average yields of about 1.5 tons under usual farm conditions.

A major effort has gone into developing a regional system for evaluating disease resistance of the new wheat varieties. Regional nurseries are now sent to all the countries from India to Morocco in order to get as wide and variable an evaluation of disease resistance as possible and to determine the agronomic performance of newly developed strains under different climatic conditions.

New corn varieties have been developed in both Lebanon and Egypt. These are synthetic composites, which have given yields of 15 to 16 tons per hectare, or about 70 percent more than the best varieties and 50 percent more than the best local hybrids. The new corn varieties are now available for testing under field conditions.

BETTER PRODUCTION practices, stressed in the ALAD program, have also contributed to expanded output. A 50-percent increase in yield of the best local hybrids, for instance, was achieved through improved practices.

ALAD's sheep program objective has been to increase meat output by crossing the Chios sheep from Greece and Cyprus, animals with a higher reproduction rate than the native Awassi, with the local breed, which has a high degree of adaptability to environment.

Last year, the crossbred females had their initial parturition, with impressive results for multiple births. The crossbreds produced 34.3 percent multiple births, compared with 11.6 percent for the indigenous females, for a 200-percent increase. These results, of course, must be verified with a large number of animals and compared under several different types of environments with the indigenous sheep.

A fodder production program has increased the quantity and improved the quality of feed available for the breeding flock. Under the program, 1,210 tons of corn silage and 132 tons of vetch and barley hay were produced under commercial farming conditions on 22 hectares of land in 1971, using a double-cropping program. Returns from the crops were good, indicating a promising potential for them as a source of farm income.

In addition to their activities in Lebanon, the ALAD Program staff has assisted with the planning and implementation of projects elsewhere in the Middle East and North Africa.

With the assistance of CIMMYT, the Maize Improvement Program in Egypt has been reorganized. Its scope has been expanded to include other cereals (wheat, barley, and rice) and to provide for work on soil and water management and adaptation of farm machinery to the special conditions found in Egypt.

In Saudi Arabia, ALAD specialists have formulated and helped to implement a cereal research production program, which includes the development and improvement of research stations.

Future plans of ALAD include an accelerated wheat and barley program for Iran. This will provide for expansion of breeding work, development of major research stations, initiation of an adaptive research program in both irrigated and rainfed areas, and training of local staff.

A new program will be to develop, test, and introduce more efficient grain legumes to the region. There are over 86 million acres of rainfed fallow (usually idle) cropland in the region. Also, a program aimed at determining how this area can be utilized as a forage produce resource will be accelerated.

Ireland's 1972-73 Grain Imports Increase, Expected To Go Higher

Ireland's grain imports, nearly half from the United States, increased markedly between 1971–72 and 1972–73, because of bad weather and fewer harvested acres in the latter year. Imports of both wheat and feedgrains should go even higher in the future, although more of these grains are expected to come from the European Community—providing EC crops are successful.

Ireland's total grain crop in 1972–73, estimated at 1.3 million metric tons, was 13 percent below the previous year's. However, most grains had been harvested in good weather and the amount of millable wheat was up to the standard of previous years.

The wheat crop was off by a larger percentage than any other grain—down from 380,000 tons in 1971–72 to 241,000 in 1972–73, a drop of nearly 37 percent. Oats were off 16 percent, falling from 207,000 tons to 173,000 in the same period. The slippage in barley production was minimal, dropping from 900,000 tons to 881,000.

Ireland imports all of its corn and sorghum, much of it from the United States, and lesser amounts of wheat, oats, and barley. In 1972–73, Ireland bought 110,000 tons of sorghum, 90,000 tons from American suppliers. Corn imports totaled 252,000 tons and the United States provided 200,000. In the previous year, sorghum and corn imports from the United States were 17,000 and 136,000 tons, respectively. Purchases of U.S. wheat in recent years have clung to the 6,000-ton mark.

Ireland exports mostly barley (as malting barley) and some corn. Foreign sales of barley in 1972–73 are expected to be about 16,000 tons. About 12,000 tons of corn will probably be exported to Northern Ireland this year as a result of merchants' stockpiling, although because of Ireland's recent entry into the European Community, it is likely grain will continue to flow in both directions.

Irish farmers are now growing corn, mostly hybrid varieties for silage. Last year, over 3,000 acres were sown with seeds imported from France. Like most crops, corn suffered from the poor growing season and birds caused damage at sowing time. However, some producers think most production problems have been overcome and future crops will be better. Costs of production compare favorably with grass silage and there is every expectation corn acreage will be expanded considerably over the next few years.

The present outlook is for a continuing decline in most grain acreage in favor of livestock production. Barley output, however, which now accounts for about 70 percent of Ireland's grain acreage, is likely to remain static and its share of total acreage is expected to increase at the expense of wheat and oats. Ireland's expanding livestock industry is a ready market for barley, while the country's brewers buy large quantities of malting barley.

The prospect for domestic wheat is not so bright. Wheat is not easy to harvest in a millable condition in Ireland and millers want to increase the percentage of imported wheat in their grist. In the past Irish law limited foreign wheat use to 25 percent.

—Based on a dispatch from
EUGENE T. RANSOM
U.S. Agricultural Attaché, Dublin

USSR Farm Goals

The Soviet Union has revised some of its 1973 production targets, decreasing those for meat, milk, and wool, but boosting projected output of eggs, according to a recent issue of the *Soviet Agricultural Ecomonics Journal.*

The latest targets for 1973, with original goals in parentheses, in millions of metric tons, are: Meat, 12.9 (14.3); milk, 86.2 (92.1); and wool, 0.434 (0.463). Planned egg output was raised to 47.5 billion from 46.8.

The revised goals appear to be the result of a more realistic appraisal of 1973 livestock production prospects given the relatively poor feed situation in the 1972 growing season. The revised 1973 meat production goal is lower than the amount of meat produced in either 1971 or 1972, but the reduced 1973 milk goal is still higher than amounts produced in recent years.

The cuts in meat and milk output will be felt strongly in the first half of the current year. During January 1973, Government industrial enterprises processed 732,000 tons of meat, compared with 755,000 tons in January 1972.

Australia Releases Wheat Stabilization Report

A major recommendation of the long-awaited report on the Australian wheat industry, which was recently released, is a change in the classification system for Australian wheat. The old f.a.q. classification would be replaced by a wider range of grades, with the basic soft wheat to be called "Australian Standard White."

The report, prepared by Sir Alan R. Callaghan, former chairman of the Australian Wheat Board, also stressed that consideration should be given to production of a special feed wheat, which would be grown and handled separately from wheat for human consumption. The report states, "Even if feed wheat is not exported as such, its domestic use would enable increased exports of wheat for human consumption and of coarse grains, notably sorghum and barley."

The report refers in detail to the need for change in the grading system as a result of the rapid technicological changes in the world market, and the consequent need to meet more discriminating and exacting requirements.

"This means," adds the report, "segregating varieties of wheat according to known qualities to meet specific standards, and separating these into grades according to protein level and other modifying characteristics."

The report contains a wealth of information on the Australian wheat industry, particularly on price stabilization and support policies. Sir Alan recommends that existing wheat stabilization legislation be modified to provide for a guaranteed price on the basis of average export realizations in the previous 5 years. Sir Alan recommends stockfeed wheat be removed from the support provisions of the stabilization scheme, and sold by the Wheat Board at prices competitive with other feedgrains.

CROPS AND MARKETS

Canada Removes Capital Gains Taxes From Inherited Family Farms

In a move to help preserve Canada's family farms, the Government recently changed the law on Federal taxes due on transfers of farmland at the death of the owner. This tax, often most burdensome to inheritors of small farms, was abolished, retroactive to January 1, 1972.

Under the old rules, farmland transferred by inheritance was considered as having been sold at a fair market price and, except for specified exemptions, was taxed on one-half of the increase in the farm's value since Valuation Day, December 31, 1971. This tax liability may have forced some inheritors of small farms to sell because they lacked cash or had no source of credit from which to pay. Now the tax has been removed provided the farm continues to operate as a family project.

The tax will continue to apply, however, in those instances where the farm is sold, if the land had not been used as a farm at the time of the owner's death, or if it is left to someone not a member of the family.

The tax removal is part of a larger package of reforms contained in Canada's fiscal 1974 budget which went into effect April 1. The new measures include lowering of personal income taxes, elimination of customs duties on numerous consumer items—including some food items imported from the United States—and boosts in various benefits.

DAIRY AND POULTRY

Kuwaiti Affluence Spurs Fast-Service Chicken Outlets

Kuwait's 90,000 residents have a per capita income of about $3,500 annually. Government policies to spread the country's rising petroleum revenues among the people and provide low-cost housing have given the average family a strong purchasing power. Over 90 percent of the original Kuwaiti families—those who were in the country before the influx of immigrants in recent years—own automobiles and many of them have traveled to other countries where they dined in modern quick-service restaurants.

To capitalize on this, Kuwaiti firms, working with American firms through franchise arrangements, are now opening American-style, "quickie" restaurants featuring fried chicken and several other items. These American firms or their European branches provide the equipment, design, and technical assistance for the Kuwaiti-managed firms. As more customers ride up to the fast-service restaurants to buy fried chicken, demand for imported frozen chicken will increase.

Imports of subsidized frozen chickens from Denmark increased from about 3,500 tons in 1971 to around 3,800 tons in 1972. Kuwait imported over 225 tons of subsidized frozen chickens from the Netherlands in 1972, compared with only 5 tons in 1971. The United States sent about 80 tons of frozen poultry to Kuwait last year. Poland and the People's Republic of China also send frozen chickens to Kuwait. Imports of cooking oil are rising.

Kuwaiti farmers can provide the market with only small amounts of chicken. Kuwait's May 1970 census counted only 929,633 chickens, including 78,249 layers. Higher beef prices and a growing appetite for fried chicken are expected to up frozen poultry imports.

Licenses Issued for Temporary Cheese Imports

The Department of Agriculture has announced that import licenses have been issued to implement President Nixon's proclamation of April 25 authorizing a temporary increase of 50 percent in cheese import quotas.

Licenses have been mailed to importers who have established eligibility for license shares under the regular import program, and are for 50 percent of each importer's annual share.

The increase authorized by the proclamation amounts to about 64 million pounds, and is intended to stabilize prices over the next several months until expanded domestic cheese production reaches the market.

Effective March 15, the Department's support program for manufacturing milk was restructured to encourage increasing flows of milk into cheese production. The Commodity Credit Corporation's purchase price for Grade A Cheddar cheese was increased from 54.75 cents per pound to 62 cents per pound, while the price for butter (New York area) was reduced from 68.75 cents to 62 cents per pound. As a result of these changes, the rising trend in cheese production is expected to be accelerated further and should be particularly heavy during the flush milk production season now beginning. Cheese produced from this milk should begin reaching the market in the summer.

The President's action, taking these supply conditions into consideration, requires the specially-authorized imports to be brought in not later than July 31, 1973. The country shares under the various cheese quotas have been allocated to facilitate importation.

EC Changes Conversion Factors for Poultry Trade With New Members

The addition of the United Kingdom, Denmark, and Ireland to the European Community has forced a review of certain feed conversion factors used to compute the amount of protection given to internally-produced poultry and eggs.

The United Kingdom objected to the existing factors, used by the Community to establish its variable levy tariff protection and export subsidies, as being too high. These factors affect the "compensatory amount" or the equalizing factor between prices among the Six and Three during the 5-year transitional period. When the compensatory amount

was reviewed, a more realistic set of conversion factors for internal use was substituted.

The acceptance of lower, realistic feed conversion ratios for internal use in determining compensatory amounts to facilitate internal trade among the Nine does not modify the unrealistic feed conversions and other factors used in determining the levies paid by third-country exporters or the export subsidies applied to EC exports moving to third countries.

European Community: Difference in representative feed conversion factors for poultry, according to application, February–July 1973

Product and unit	Feed conversion factor [1] for computing—		Reduction [2]
	Compensatory amounts	Import levies and export subsidies	
	Kilograms	*Kilograms*	*Percent*
Chicken, whole [3] ..... kg..	2.03	2.61	22
Turkeys ..... kg..	2.68	3.28	18
Other shell eggs ..... kg..	2.37	3.00	21
Baby chicks ..... ea..	.368	.368	0
Hatching eggs ..... ea..	.23	.23	0

[1] Kilograms of cereals for production of a unit of indicated product. [2] Conversion factor for compensatory amounts compared with that for levies and subsidies. [3] Based on 70-percent conversion rate.

FATS, OILS, AND OILSEEDS

Peru To Suspend Fishing

The Peruvian Government has suspended fishing effective midnight April 27. April catch results have been poor and it appears that the fishing industry will not achieve the modest quota of 800,000 tons set for April.

Industry reports are prevalent that the Government will suspend fishing, except for some small-scale activity, until October. If so, Peru's catch for the September 1972–August 1973 season might total only 2–2.5 million metric tons, compared with the 1967–71 average annual catch of 9.5 million tons.

Also, 1972–73 exports of fishmeal would total possibly 450,000 tons against 2.2 million tons in 1971–72—a decline equivalent to the protein content of 117 million bushels of soybeans.

LIVESTOCK AND MEAT PRODUCTS

India Buys U.S. Dairy Bulls To Boost Herd Productivity

The Indian Dairy Corporation recently purchased 113 head of U.S. dairy breeding bulls to improve milk productivity and quality within the country's dairy industry. This is virtually the only sale of U.S. dairy breeding cattle to India since 1970 when 100 head were exported.

The Indian Minister of Agriculture has announced plans to import 400–500 head of top-quality breeding cattle annually during the next 5 to 6 years. The recent cash sale indicates that U.S. breeders may be able to provide a fair share of this market.

The recent shipment of 101 registered Jersey and 12 registered Holstein-Friesian bulls went by air from Richmond, Virginia, on March 25, and arrived in good condition at the New Delhi and Bombay airports the following day.

Koreans Set Tallow Quota

The Korean Ministry of Agriculture and Fisheries has set an import quota for edible beef tallow for the manufacture of instant noodles and margarine in the first half of this year at 25,000 tons. The Ministry estimated this year's total demand for edible beef tallow at 48,000 tons.

TOBACCO

U.S. Still Top Market For Yugoslav Leaf

Yugoslavia's 1972 exports of leaf tobacco (primarily oriental) were down 11 percent to 17,164 metric tons as almost all markets reduced purchases. The United States again was No. 1 importer of Yugoslav tobacco with purchases of 4,785 metric tons. This was a 7-percent reduction from the 1971 level, but they still accounted for 27.9 percent of Yugoslavia's total exports. Eastern Europe, led by the Soviet Union—with purchases of 4,661 metric tons—took 59.4 percent of the exports. Western Europe and Japan took the rest.

Yugoslav imports were up from 4,993 metric tons in 1971 to 6,035 metric tons in 1972, the bulk of them coming from Czechoslovakia and Turkey. The United States shipped 234 metric tons of leaf tobacco to Yugoslavia in 1972.

Exports of Yugoslav cigarettes slipped 13.5 percent to 683 metric tons. The Soviet Union and Czechoslovakia—followed by other East European countries—were the primary markets for these cigarettes.

Yugoslavia's cigarette imports dropped drastically from 69 metric tons in 1971 to 8.6 metric tons in 1972. This is blamed primarily on an increased import duty on "luxury goods" and to some extent on domestic production of American blends under license.

GRAINS, FEEDS, PULSES, AND SEEDS

USDA To Report Weekly Export Sales of Grain and Soybeans

The U.S. Department of Agriculture (USDA) plans to begin in June issuing weekly reports of grain and soybean export sales.

Reports of wheat by classes, corn, grain sorghum, soybeans, and barley would be issued by USDA's Statistical Reporting Service (SRS) based on data voluntarily submitted by export companies. These reports would provide more timely information than now available, assist producers and export firms in maintaining an orderly marketing situation, and aid Government officials in policy and management decisions.

SRS plans to publish, probably on Tuesdays, total export sales for each commodity made during a specific week.

Every fourth week the report would carry cumulative totals by marketing year of shipment and general destina-

tion—Western Hemisphere, Western Europe, Eastern Europe including the USSR, Africa and the Near East, and Asia and Oceania.

SRS has sent letters to grain and oilseed exporters and other interested parties soliciting their views before implementing the proposed reporting program. Copies of the letter and tentative reporting forms are available from SRS, U.S. Department of Agriculture, Washington, D.C. 20250.

Australian Rice Crop To Reach Record Level

Australian rice production, which is concentrated mostly in the State of New South Wales, is expected to reach a record 310,000 tons, rough basis, this season. As a result, exports during 1973–74 will probably increase. Latest estimates are for exports of 105,000 tons in 1972–73, compared with 180,000 in 1971–72 and 101,000 in 1970–71. The principal markets for Australian rice have been Papua, Hong Kong, the United Kingdom, India, and Okinawa.

Grain Exports and Transportation Trends: Week Ending May 4

Weekly grain inspections for export and grain moving in inland transportation for the week of May 4 and the previous week were:

Item	Week ending May 4	Previous week	Weekly average, March	Weekly average, third quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspection for export:				
Wheat	600	838	589	637
Feedgrains	695	519	688	690
Soybeans	342	327	333	327
Total	1,637	1,684	1,610	1,654
Inland transportation:				
Barge shipments of grain	(1)	399	495	495
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	30,112	29,696	30,404	32,271

[1] Not available.

Soviet Spring Planting Rate At Highest Level in 16 Years

Spring planting in the Soviet Union was further advanced by April 30 than in any of the past 16 years, according to press reports there. As of that date, 162 million acres had been planted, compared with 147 million in 1972. Somewhat less than 100 million acres had been planted by that date in 1970 and 1971.

Regionally, the spring sowing plan was 76 percent completed in the Ukraine and 41 percent in the Russian Federation, where 96 million acres had been planted, 7 million more than a year earlier. The optimum sowing period in the new lands of western Siberia and northern Kazakhstan is usually May 15–30, but was expected to be completed earlier this year.

Grain sowing (excluding corn) was further advanced this year than it was last—97 million acres sown by April 30 compared with 83 million the same date in 1972 and 53 million acres in 1971. Sunflower area was somewhat larger than the same date last year, but sugarbeet area was approximately the same.

Of the major crops, corn was the only grain that was lagging—5 million acres planted compared with 7 million in 1972. The lag was attributable to the advent of cool weather in Moldavia and probably in the adjacent Ukraine.

Newspaper accounts state that the planting plan calls for the sowing of a total of 47 plus million acres of corn, including 9 million acres of corn for grain.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	May 15	Change from previous week	A year ago
	Dollars per bushel	*Cents per bushel*	*Dollars per bushel*
Wheat:			
Canadian No. 1 CWRS–14	3.36	+8	1.98
USSR SKS–14	(1)	(1)	1.85
Australian FAQ [2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	2.98	+1	1.89
15 percent	3.14	+6	1.96
U.S. No. 2 Hard Winter:			
13.5 percent	(1)	0	1.82
No. 3 Hard Amber Durum	3.31	+7	1.86
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	2.33	+11	1.48
Argentine Plate corn	2.54	+22	1.75
U.S. No. 2 sorghum	2.28	+12	1.45
Argentine-Granifero sorghum	2.27	+12	1.46
U.S. No. 3 Feed barley	1.82	+4	1.20
Soybeans:			
U.S. No. 2 Yellow	9.12	+55	3.78
EC import levies:			
Wheat [3]	[4] 1.46	−5	1.99
Corn [5]	[4] .88	−7	1.30
Sorghum [5]	[4] .91	−14	1.34

[1] Not quoted. [2] Basis C.I.F. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 23 cents a bu. lower than those of other EC countries.

Note: Price basis 30- to 60-day delivery.

New Foreign Agriculture Circulars

- U.S. Spice Imports at Record Levels (FTEA–1–73)
- World Coffee Production Up Slightly (FCOF–2–73)
- World Grain Production Declined in 1972 (FG–7–73)
- Grain Stocks of Major Exporters on January 1 Decline Moderately (FG–8–73)
- Prospects for World Grain Trade Continue Strong (FG–9–73)

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FOREIGN AGRICULTURE

Crisis Over EC Farm Prices *(Continued from page 9)*

of the fundamental principles of the CAP and a major benefit to French agricultural exports. France was determined to obtain some kind of commitment to restore unified prices. At the same time, moreover, the Government promised French farmers to obtain at all costs a substantial increase in milk and beef prices—8.5 percent and 15 percent, respectively. Faced with German refusal to move toward unified prices, agreement on a high milk price became all the more important. A compromise on the milk price became the key to the final agreement.

The Dutch, with efficient dairy farmers and conscious of mounting butter surpluses, strongly opposed any increase for milk and butter. The Dutch were even willing to tie price increases to unification if a milk price increase could be avoided. They could not, however, stand alone. Being less competitive in grains, the Dutch wanted grain price increases of 4 percent or more.

The United Kingdom was the chief proponent of no increases for any product. This position was badly received by some other EC members, since until 1978 the United Kingdom can adjust its prices upward—indeed must do so—whether or not farmers in other EC countries get a price increase. The United Kingdom's concern, reflecting the country's present high rate of inflation, was to avoid raising the target level to which it must gradually adjust.

The British held to their position as long as no compromise was in sight between the other Member States. When the compromise began to take shape, however, the British posed no further obstacle to the acceptance of higher prices.

Belgium and Luxembourg, who are relatively more sensitive to dairying interests, pushed for higher milk prices. They also supported higher grain prices than the Commission proposed. Belgium and Luxembourg strongly supported Germany against any move toward unified prices.

Denmark and Ireland, too, wanted higher prices for both milk and cereals. Denmark pushed particularly hard for price unification, which would improve the competitive edge of Danish products in the German market.

Italy, which had been trying to hold down feedgrain costs, was faced with the prospect of raising feedgrain prices not just $3–$4 a ton as proposed for other Member States, but $8–$9 a ton after exchange rate adjustments, plus $9 a ton by elimination of its special levy reduction on imports by sea.

The key milk price compromise was a setback to both French goals: an 8.5-percent increase and restoration of unified prices. Instead, the increase was limited to 4 percent for Germany and the Benelux countries and 5.5 percent for the rest of the EC (really only France, since Italy gets 6.5 percent and the United Kingdom, Denmark, and Ireland still have transitional pricing).

Price unification in the milk sector is thus now broken up not only by monetary problems and transitional differences for new EC members, but also now by basic price differences among the original six members. France accepted this situation, however, because the lower German and Benelux prices mean that those countries will reduce monetary border charges by a corresponding amount.

As for the subsidies to establish beef herds, the consumer subsidies for butter, and the aid to hill farming, the first two presented no real problem and were adopted as indicated. The aid to hill farming is bogged down on the question of defining a hill. For France, hill farms are farms at high altitudes, as in the French Alps. For the United Kingdom, they are farms on rocky and steep terrain, as in Scotland and Wales. The Dutch Minister of Agriculture has even suggested that the Netherlands has "negative hills"—areas below sea level where farmers have to struggle with salty soil.

In October 1973, the EC plans a major review of the CAP and alternatives to price increases as a means of maintaining farm income. The questions involved in such a review are at least as contentious as the level of prices and price unification. Nevertheless, if further major crises are to be averted, alternatives must be found which will make the CAP less heavily dependent upon prices to achieve its income objectives.

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